

# Senate File 2379 - Introduced

SENATE FILE \_\_\_\_\_  
BY COMMITTEE ON STATE  
GOVERNMENT

(SUCCESSOR TO SSB 3117)

(COMPANION TO LSB 5152HV BY  
COMMITTEE ON STATE GOVERNMENT)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the regulation of the practice of certified  
2 public accounting and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 5152SV 82  
5 jr/rj/8

PAG LIN

1 1 Section 1. Section 542.3, subsection 1, paragraph c, Code  
1 2 2007, is amended to read as follows:  
1 3 c. An examination of prospective financial information to  
1 4 be performed in accordance with the statements on standards  
1 5 for attestation engagements. ~~For purposes of this subsection,~~  
1 6 ~~"the statements on standards for attestation engagements"~~  
1 7 ~~means those standards adopted by the board, by rule, by~~  
1 8 ~~reference to the standards developed for general application~~  
1 9 ~~by the American institute of certified public accountants, or~~  
1 10 ~~other recognized national accountancy organization.~~  
1 11 Sec. 2. Section 542.3, subsection 1, Code 2007, is amended  
1 12 by adding the following new paragraph:  
1 13 NEW PARAGRAPH. d. Any engagement to be performed in  
1 14 accordance with the standards of the public company accounting  
1 15 oversight board.  
1 16 Sec. 3. Section 542.3, subsection 1, Code 2007, is amended  
1 17 by adding the following new unnumbered paragraph:  
1 18 NEW UNNUMBERED PARAGRAPH. The standards specified in this  
1 19 subsection are those standards adopted by the board, by rule,  
1 20 by reference to the standards developed for general  
1 21 application by the American institute of certified public  
1 22 accountants, the public company accounting oversight board, or  
1 23 other recognized national accountancy organization.  
1 24 Sec. 4. Section 542.3, Code 2007, is amended by adding the  
1 25 following new subsections:  
1 26 NEW SUBSECTION. 9A. "Home office" is the location  
1 27 specified by the client as the address to which an attest or  
1 28 compilation service is directed, which may be a subunit or  
1 29 subsidiary or an entity or the principal office of an entity,  
1 30 as the board may further define by rule.  
1 31 NEW SUBSECTION. 15A. "NASBA" means the national  
1 32 association of state boards of accountancy.  
1 33 NEW SUBSECTION. 15B. "Office" means any Iowa workplace  
1 34 identified or advertised to the general public as a location  
1 35 where public accounting services are performed.  
2 1 NEW SUBSECTION. 20A. "Practice privilege" means an  
2 2 authorization to practice public accounting in Iowa or for  
2 3 clients with a home office in Iowa without licensure under  
2 4 this chapter, as provided in section 542.20.  
2 5 NEW SUBSECTION. 20B. "Principal place of business" means  
2 6 the primary location from which public accounting services are  
2 7 performed, as the board may further define by rule. A person  
2 8 or firm may only have one principal place of business at any  
2 9 one time.  
2 10 Sec. 5. Section 542.4, subsection 7, Code 2007, is amended  
2 11 to read as follows:  
2 12 7. The board may join professional organizations and  
2 13 associations to promote the improvement of the standards of  
2 14 the practice of accountancy and for the protection and welfare

2 15 of the public. The board may provide social security numbers  
2 16 of licensees to NASBA provided that the numbers are solely  
2 17 used by NASBA for inclusion in a national database of  
2 18 licensees, the numbers are submitted in an encrypted format or  
2 19 through such alternative means as will assure the  
2 20 confidentiality of the numbers, and NASBA maintains the  
2 21 confidentiality of the numbers and agrees not to disseminate  
2 22 the numbers to any other person or entity.

2 23 Sec. 6. Section 542.4, subsection 9, Code 2007, is amended  
2 24 by adding the following new paragraph:

2 25 NEW PARAGRAPH. rr. Rules on practice privilege under  
2 26 section 542.20.

2 27 Sec. 7. Section 542.6, subsection 6, Code 2007, is amended  
2 28 to read as follows:

2 29 6. The board, by rule, shall require as a condition for  
2 30 renewal of a certificate under this section, by any  
2 31 certificate holder who performs compilation services for the  
2 32 public other than through a certified public accounting firm  
2 33 or licensed public accounting firm, that such individual  
2 34 undergo, no more frequently than once every three years, a  
2 35 peer review conducted in such manner as the board shall by  
3 1 rule specify, and such review shall include verification that  
3 2 such individual has met the competency requirements set out in  
3 3 professional standards for such services. The provisions of  
3 4 section 542.7, subsections 10, 11, and 12, shall apply to the  
3 5 peer review required in this subsection.

3 6 Sec. 8. Section 542.7, subsections 1, 3, 4, and 10, Code  
3 7 2007, are amended to read as follows:

3 8 1. The board shall issue or renew a permit to practice to  
3 9 a certified public accounting firm that makes application and  
3 10 demonstrates the qualifications set forth in this section, ~~or~~  
~~3 11 to a qualified certified public accounting firm originally~~  
~~3 12 licensed in another state that establishes an office in this~~  
~~3 13 state or otherwise provides services for clients in this state~~  
~~3 14 on a regular or recurring basis. A certified public~~  
~~3 15 accounting firm licensed and located in another state or~~  
~~3 16 foreign jurisdiction shall be allowed to audit a business unit~~  
~~3 17 located in Iowa without a permit to practice if the Iowa~~  
~~3 18 business unit is part of a multistate company whose principal~~  
~~3 19 offices are located outside of this state. A person or firm~~  
3 20 holding a permit to practice issued by this state prior to  
3 21 July 1, 2002, is deemed to have met the requirements of this  
3 22 section.

3 23 a. A firm must hold a permit issued under this section ~~in~~  
~~3 24 order to provide if the firm performs attest services in this~~  
3 25 state or for clients having a home office in this state or to  
~~3 26 use has an office in this state and uses the title "CPAs" or,~~  
3 27 "CPA firm", "certified public accountants", or "certified  
3 28 public accounting firm".

3 29 b. A firm which is not subject to paragraph "a" may  
3 30 practice public accounting in this state without a permit  
3 31 issued under this section in conformance with section 542.20.

3 32 c. A firm that holds a permit issued under this chapter  
3 33 shall designate to the board the licensee or person with a  
3 34 practice privilege under section 542.20 who is responsible for  
3 35 the proper licensure of the firm and the firm's compliance  
4 1 with all applicable laws and rules of this state. If such  
4 2 firm has one or more offices in this state the firm shall  
4 3 designate to the board one or more persons who are licensed  
4 4 under this chapter who are responsible for the proper  
4 5 registration of each Iowa office of the firm and each office's  
4 6 compliance with all applicable laws and rules of this state.

4 7 3. a. An applicant for initial issuance or renewal of a  
4 8 permit to practice as a firm shall show that notwithstanding  
4 9 any other provision of law, a simple majority of the ownership  
4 10 of the firm, in terms of financial interests and voting rights  
4 11 of all partners, officers, shareholders, members, and  
4 12 managers, belongs to holders of a certificate issued by a  
4 13 state, and that such partners, officers, shareholders,  
4 14 members, and managers, who perform professional services in  
4 15 this state or for clients in this state, hold a certificate  
4 16 issued under section 542.6 or 542.19, or by another state if  
4 17 the holder has a practice privilege under section 542.20.

4 18 b. A certified public accounting firm may include a  
4 19 nonlicensee owner, which for purposes of this section means an  
4 20 owner that does not hold a valid certificate to practice  
4 21 public accounting in any state, provided all of the following  
4 22 occur:

4 23 (1) ~~Such firm designates a licensee who is responsible for~~  
~~4 24 the proper registration of the firm, and identifies that~~  
~~4 25 individual to the board.~~

4 26 ~~(2)~~ (1) All nonlicensee owners are active participants in  
4 27 the firm or an affiliated entity.

4 28 ~~(3)~~ All nonlicensee owners participate in a program of  
4 29 learning designed to maintain professional competency in  
4 30 compliance with rules adopted by the board which shall include  
4 31 requiring compliance with requirements imposed by a regulatory  
4 32 authority charged with regulation of a nonlicensee owner's  
4 33 professional or occupational license which is relevant to the  
4 34 firm's services.

4 35 ~~(4)~~ (2) All nonlicensee owners comply with all applicable  
5 1 rules of professional conduct adopted by the board, ~~and their~~  
5 2 ~~own regulatory authority.~~

5 3 ~~(5)~~ (3) Such firm complies with other requirements as  
5 4 established by the board by rule.

5 5 c. A licensee or person with a practice privilege under  
5 6 section 542.20 who is responsible for supervising attest or  
5 7 compilation services and signs or authorizes someone to sign  
5 8 the accountant's report on the financial statements on behalf  
5 9 of the firm shall meet the experience or competency  
5 10 requirements set out in nationally recognized professional  
5 11 standards for such services.

5 12 d. A licensee or person with a practice privilege under  
5 13 section 542.20 who signs or authorizes someone to sign the  
5 14 accountant's report on the financial statements on behalf of  
5 15 the firm shall meet the experience or competency requirements  
5 16 established in paragraph "c".

5 17 e. The board may deny the issuance or renewal of, or  
5 18 revoke a permit, or otherwise discipline the holder of a  
5 19 permit issued under this section if a nonlicensee owner's  
5 20 professional license has been revoked in any jurisdiction or a  
5 21 nonlicensee owner has been convicted of a crime described in  
5 22 section 542.5, subsection 2, if the board determines that such  
5 23 revocation or convictions is detrimental to the public  
5 24 interest and would be a ground for discipline if applicable to  
5 25 a licensee under this chapter.

5 26 4. An applicant for initial issuance or renewal of a  
5 27 permit to practice as a certified public accounting firm is  
5 28 required to register each office of the firm within this state  
5 29 with the board and to show that all attest and compilation  
5 30 services rendered in this state are under the charge of a  
5 31 person holding a valid certificate issued under section 542.6  
5 32 or 542.19, or by another state if the holder has practice  
5 33 privilege under section 542.20.

5 34 10. Peer review records are privileged and confidential,  
5 35 and are not subject to discovery, subpoena, or other means of  
6 1 legal compulsion. Peer review records are not admissible in  
6 2 evidence in a judicial, administrative, or arbitration  
6 3 proceeding. Unless the subject of a peer review timely  
6 4 objects in writing to the administering entity of the peer  
6 5 review program, the administering entity shall make available  
6 6 to the board within thirty days of the issuance of the peer  
6 7 review acceptance letter the final peer review report or such  
6 8 peer review records as are designated by the peer review  
6 9 program in which the administering entity participates. The  
6 10 subject of a peer review may voluntarily submit the final peer  
6 11 review report directly to the board. Information or documents  
6 12 discoverable from sources other than a peer review team do not  
6 13 become nondiscoverable from such other sources because they  
6 14 are made available to or are in the possession of a peer  
6 15 review team. Information or documents publicly available from  
6 16 the American institute of certified public accountants  
6 17 relating to quality or peer review are not privileged or  
6 18 confidential under this subsection. A person or organization  
6 19 participating in the peer review process shall not testify as  
6 20 to the findings, recommendations, evaluations, or opinions of  
6 21 a peer review team in a judicial, administrative, or  
6 22 arbitration proceeding.

6 23 Sec. 9. Section 542.8, subsection 9, paragraph a, Code  
6 24 2007, is amended to read as follows:

6 25 a. The licensed public accountant license shall expire in  
6 26 ~~multiyear~~ intervals as determined by the board. The board  
6 27 shall notify a person licensed under this chapter of the date  
6 28 of expiration of the license and the amount of the fee  
6 29 required for its renewal. The notice shall be mailed at least  
6 30 one month in advance of the expiration date. A person who  
6 31 fails to renew a license as a licensed public accountant by  
6 32 the expiration date shall be allowed to do so within thirty  
6 33 days following its expiration, but the board may assess a  
6 34 reasonable penalty.

6 35 Sec. 10. Section 542.8, subsections 12, 13, and 19, Code  
7 1 2007, are amended to read as follows:

7 2 12. The board shall issue or renew a permit to practice as  
7 3 a licensed public accounting firm to a person that makes  
7 4 application and demonstrates the qualification set forth in  
7 5 this section or to a licensed public accounting firm  
7 6 originally registered in another state that provides evidence  
7 7 that the qualifications met in the other state are  
7 8 substantially equivalent to those required by this section. A  
7 9 firm must hold a permit issued under this section in order to  
7 10 use the title "~~LPA~~" "LPAs" or "Licensed Public Accountants" in  
7 11 a firm name.

7 12 a. An applicant for initial issuance or renewal of a  
7 13 permit to practice as a firm under this section must show that  
7 14 notwithstanding any other provision of law, a simple majority  
7 15 of the ownership of the firm, in terms of financial interests  
7 16 and voting rights of all partners, officers, shareholders,  
7 17 members, and managers, belongs to the holders of a certificate  
7 18 or license issued by a state, and that such partners,  
7 19 officers, shareholders, members, and managers who perform  
7 20 professional services in this state or for clients in this  
7 21 state hold a certificate issued under section 542.6 or a  
7 22 license issued under this section, or another state if the  
7 23 holder has a practice privilege under section 542.20. To  
7 24 qualify for firm licensure at least one partner, officer,  
7 25 shareholder, member, or manager shall hold a license under  
7 26 this section.

7 27 b. A licensed public accounting firm may include a  
7 28 nonlicensee owner, which for purposes of this section means an  
7 29 owner that does not hold a valid license or certificate to  
7 30 practice public accounting in any state, provided all of the  
7 31 following occur:

7 32 (1) Such firm designates a licensee who is responsible for  
7 33 the proper registration of the firm, and identifies that  
7 34 individual to the board.

7 35 (2) All nonlicensee owners are active participants in the  
8 1 firm or an affiliated entity.

~~8 2 (3) All nonlicensee owners participate in a program of  
8 3 learning designed to maintain professional competency in  
8 4 compliance with rules adopted by the board which shall include  
8 5 requiring compliance with requirements imposed by a regulatory  
8 6 authority charged with regulation of a nonlicensee owner's  
8 7 professional or occupational license which is relevant to the  
8 8 firm's services.~~

8 9 (4) (3) All nonlicensee owners comply with all applicable  
8 10 rules of professional conduct adopted by the board, ~~and their~~  
~~8 11 own regulatory authority.~~

8 12 (5) (4) Such firm complies with other requirements as  
8 13 established by the board by rule.

8 14 c. An individual licensee or person with a practice  
8 15 privilege under section 542.20 who is responsible for  
8 16 compilation services and signs or authorizes someone to sign  
8 17 the accountant's report on the financial statements on behalf  
8 18 of the firm shall meet the competency requirements set out in  
8 19 nationally recognized professional standards for such  
8 20 services.

8 21 d. An individual licensee or person with a practice  
8 22 privilege under section 542.20 who signs or authorizes someone  
8 23 to sign the accountant's report on the financial statements on  
8 24 behalf of the firm shall meet the competency requirements set  
8 25 out in nationally recognized professional standards for such  
8 26 services.

8 27 e. The board may deny the issuance or renewal of, or  
8 28 revoke a permit, or otherwise discipline the holder of a  
8 29 permit issued under this section if a nonlicensee owner's  
8 30 professional license has been revoked in any jurisdiction or a  
8 31 nonlicensee owner has been convicted of a crime described in  
8 32 section 542.5, subsection 2, if the board determines that such  
8 33 revocation or conviction is detrimental to the public interest  
8 34 and would be a ground for discipline if applicable to a  
8 35 licensee under this chapter.

9 1 13. An applicant for initial issuance or renewal of a  
9 2 permit to practice as a licensed public accounting firm is  
9 3 required to register each office of the firm within this state  
9 4 with the board and to show that all compilation services  
9 5 rendered in this state are under the charge of a person  
9 6 holding a valid certificate issued under section 542.6 or  
9 7 542.19, or a license issued under this section, or another  
9 8 state if the holder has a practice privilege under section  
9 9 542.20.

9 10 19. Peer review records are privileged and confidential,  
9 11 and are not subject to discovery, subpoena, or other means of  
9 12 legal compulsion. Peer review records are not admissible in

9 13 evidence in a judicial, administrative, or arbitration  
9 14 proceeding. Unless the subject of a peer review timely  
9 15 objects in writing to the administering entity of the peer  
9 16 review program, the administering entity shall make available  
9 17 to the board within thirty days of the issuance of the peer  
9 18 review acceptance letter the final peer review report or such  
9 19 peer review records as are designated by the peer review  
9 20 program in which the administering entity participates. The  
9 21 subject of a peer review may voluntarily submit the final peer  
9 22 review report directly to the board. Information or documents  
9 23 discoverable from sources other than a peer review team do not  
9 24 become nondiscoverable from such other sources because they  
9 25 are made available to or are in the possession of a peer  
9 26 review team. Information or documents publicly available from  
9 27 the national society of accountants relating to quality or  
9 28 peer review are not privileged or confidential under this  
9 29 subsection. A person or organization participating in the  
9 30 peer review process shall not testify as to the findings,  
9 31 recommendations, evaluations, or opinions of a peer review  
9 32 team in a judicial, administrative, or arbitration proceeding.

9 33 Sec. 11. Section 542.10, subsection 1, Code 2007, is  
9 34 amended to read as follows:

9 35 1. After notice and hearing pursuant to section 542.11,  
10 1 the board may revoke, suspend for a period of time not to  
10 2 exceed two years, or refuse to renew a license; reprimand,  
10 3 censure, or limit the scope of practice of any licensee;  
10 4 impose an administrative penalty not to exceed one thousand  
10 5 dollars per violation against an individual licensee or ten  
10 6 thousand dollars per violation against a firm licensee;  
10 7 require remedial actions; or place any licensee on probation;  
10 8 all with or without terms, conditions, and in combinations of  
10 9 remedies, for any one or more of the following reasons:  
10 10 a. Fraud or deceit in obtaining a license, which may also  
10 11 result in permanent revocation of the license.  
10 12 b. Dishonesty, fraud, or gross negligence in the practice  
10 13 of public accounting.  
10 14 c. Engaging in any activity prohibited under section  
10 15 542.13 or 542.20 or permitting persons under the licensee's  
10 16 supervision to do so.  
10 17 d. Violation of a rule of professional conduct adopted by  
10 18 the board under the authority granted by this chapter.  
10 19 e. Conviction of a felony under the laws of any state ~~of~~  
10 20 or the United States.  
10 21 f. Conviction of any crime, any element of which is  
10 22 dishonesty or fraud as provided in section 542.5, subsection  
10 23 2, under the laws of any state ~~of~~ or the United States.  
10 24 g. Cancellation, revocation, suspension, or refusal to  
10 25 renew the authority to practice as a certified public  
10 26 accountant, licensed public accountant, or accounting  
10 27 practitioner, or the acceptance of the voluntary surrender of  
10 28 a license to practice as a certified public accountant,  
10 29 licensed public accountant, or accounting practitioner to  
10 30 conclude a pending disciplinary action, by any other state or  
10 31 foreign authority for any cause other than failure to pay  
10 32 appropriate fees in the other jurisdiction.  
10 33 h. Suspension or revocation of the right to practice  
10 34 before any state or federal agency, or the public company  
10 35 accounting oversight board.

11 1 i. Conduct discreditable to the public accounting  
11 2 profession.

11 3 j. Violation of section 272C.10.

11 4 Sec. 12. Section 542.13, Code 2007, is amended by adding  
11 5 the following new subsection:

11 6 NEW SUBSECTION. 18. Nothing in this section shall be  
11 7 construed to prohibit the practice of public accounting and  
11 8 lawful use of titles by persons or firms exercising a practice  
11 9 privilege in conformance with section 542.20.

11 10 Sec. 13. Section 542.14, subsections 1 and 2, Code 2007,  
11 11 are amended to read as follows:

11 12 1. If, as a result of an investigation under section  
11 13 542.11 or otherwise, the board believes that a person or firm  
11 14 has engaged, or is about to engage, in an act or practice  
11 15 which constitutes or will constitute a violation of section  
11 16 542.13 or 542.20, the board may make application to the  
11 17 district court for an order enjoining such act or practice.  
11 18 Upon a showing by the board that such person or firm has  
11 19 engaged, or is about to engage, in any such act or practice,  
11 20 an injunction, restraining order, or other order as may be  
11 21 appropriate shall be granted by the court.

11 22 2. In addition to a criminal penalty provided for in  
11 23 section 542.15, the board may issue an order to require

11 24 compliance with section 542.13 or 542.20 or to revoke a  
11 25 practice privilege under section 542.20, and may impose a  
11 26 civil penalty not to exceed one thousand dollars for each  
11 27 offense upon a person who is not a licensee under this chapter  
11 28 and who engages in conduct prohibited by section 542.13 or  
11 29 542.20. Each day of a continued violation constitutes a  
11 30 separate offense. The board may impose a penalty up to ten  
11 31 thousand dollars per violation against a firm that violates  
11 32 section 542.13 or 542.20.

11 33 Sec. 14. NEW SECTION. 542.20 PRACTICE PRIVILEGE.

11 34 1. This section authorizes a person or firm whose  
11 35 principal place of business is not in this state to practice  
12 1 public accounting in Iowa in person, or by telephone, mail, or  
12 2 electronic means without licensure under this chapter or  
12 3 notice to the board under the conditions described in this  
12 4 section. Such a person or firm must hold a valid, unexpired  
12 5 license in good standing in the state of its principal place  
12 6 of business that is substantially equivalent to a comparable  
12 7 license issued in Iowa, and such a person or firm must be  
12 8 licensed to lawfully perform in its principal place of  
12 9 business all public accounting services offered or rendered  
12 10 under a practice privilege in Iowa.

12 11 2. A provision of this section or of any other section in  
12 12 this chapter shall not prevent the auditor of state, the  
12 13 department of agriculture and land stewardship, other  
12 14 governmental official or body, or a client from requiring that  
12 15 public accounting services performed in Iowa or for an Iowa  
12 16 client by performed by a person or firm holding a license  
12 17 under this chapter.

12 18 3. The practice privilege authorized by this section is  
12 19 temporary and shall cease if the license in the person's or  
12 20 firm's principal place of business expires, is no longer valid  
12 21 or in good standing, or otherwise no longer lawfully supports  
12 22 the conditions of the practice privilege described in this  
12 23 section.

12 24 4. The board may revoke a practice privilege, impose a  
12 25 civil penalty, issue an order to secure compliance with this  
12 26 chapter or board rules, or take such additional actions as are  
12 27 provided in section 542.14 if a person or firm acting or  
12 28 purporting to act under a practice privilege violates this  
12 29 chapter or board rules. In addition, or as an alternative to  
12 30 such action, the board may refer a complaint to the state  
12 31 regulatory body that issued the license to the person or firm.

12 32 a. A violation of this chapter or board rules by a person  
12 33 or firm acting or purporting to act under a practice privilege  
12 34 is a ground to deny the violator's subsequent application for  
12 35 licensure under this chapter.

13 1 b. A violation of this chapter or board rules by a person  
13 2 acting or purporting to act under a practice privilege is a  
13 3 ground to deny a subsequent application for initial or renewal  
13 4 licensure under this chapter by the violator's firm, and is a  
13 5 ground for discipline against such firm.

13 6 c. A violation of this chapter or board rules by a person  
13 7 or firm acting or purporting to act under a practice privilege  
13 8 is a ground for discipline against a licensee under this  
13 9 chapter who aided or abetted the violation.

13 10 5. A certified public accounting firm that is licensed in  
13 11 the state of its principal place of business and is not  
13 12 required to hold an Iowa firm license under section 542.7 may  
13 13 practice in this state without a firm license under this  
13 14 chapter or notice to the board if the firm's practice in this  
13 15 state is performed by individuals who hold a license under  
13 16 this chapter or who practice in conformance with subsection 6,  
13 17 under the following conditions:

13 18 a. The firm shall not perform attest services in Iowa or  
13 19 for a client having a home office in Iowa.

13 20 b. The firm shall not have an office in Iowa which uses  
13 21 the title "CPAs", "CPA firm", "certified public accountants",  
13 22 or "certified public accounting firm".

13 23 c. The firm may perform compilation services only if it  
13 24 complies with the ownership and peer review requirements of  
13 25 section 542.7.

13 26 d. the firm shall not make any representation tending to  
13 27 falsely indicate that the firm is licensed under this chapter.

13 28 e. The firm, upon a client's or prospective client's  
13 29 request, shall provide accurate information on the state or  
13 30 states of licensure, principal place of business, contact  
13 31 information, and manner in which licensure status can be  
13 32 verified.

13 33 f. The firm shall comply with all professional standards,  
13 34 laws, and rules that apply to licensees performing the same

13 35 professional services.

14 1 6. An individual who is licensed in the state of the  
14 2 individual's principal place of business may exercise the  
14 3 privileges of a certificate holder of this state without  
14 4 obtaining a certificate under this chapter or providing notice  
14 5 to the board, under the following conditions:

14 6 a. The individual must meet the criteria for substantial  
14 7 equivalency reciprocity under section 542.19, subsection 1,  
14 8 paragraph "a", "b", or "c".

14 9 b. The individual shall not have an office in Iowa at  
14 10 which the individual uses the title "CPA". The individual  
14 11 may, however, perform public accounting services using the  
14 12 title "CPA" if performed at the office of a certified public  
14 13 accounting firm or licensed public accounting firm that holds  
14 14 a permit to practice under section 542.7 or 542.8, or at the  
14 15 office of a business entity that is not required to hold a  
14 16 firm permit under section 542.7 or 542.8

14 17 c. An individual who provides attest services in Iowa or  
14 18 for a client having a home office in Iowa must practice  
14 19 through a certified public accounting firm that is licensed  
14 20 under section 542.7.

14 21 d. An individual who provides compilation services in Iowa  
14 22 or for a client having a home office in Iowa must comply with  
14 23 the peer review provisions of section 542.6, subsection 6, or  
14 24 provide such services through a certified public accounting  
14 25 firm, a licensed public accounting firm, or substantially  
14 26 equivalent firm that is validly licensed in the firm's  
14 27 principal place of business and is subject to the peer review  
14 28 and ownership provisions of section 542.7 or 542.8.

14 29 e. The individual shall not make any representation  
14 30 tending to falsely indicate that the individual is licensed  
14 31 under this chapter.

14 32 f. The individual, upon a client's or prospective client's  
14 33 request, shall provide accurate information on the state or  
14 34 states of licensure, principal place of business, contact  
14 35 information, and manner in which licensure status can be  
15 1 verified.

15 2 g. The individual shall comply with all professional  
15 3 standards, laws, and rules that apply to licensees performing  
15 4 the same professional services.

15 5 7. As a condition of exercising the practice privilege  
15 6 provided in subsection 5 or 6, the person or firm does all of  
15 7 the following:

15 8 a. Consents to the personal and subject matter  
15 9 jurisdiction and regulatory authority of the board, including  
15 10 but not limited to the board's jurisdiction to revoke the  
15 11 practice privilege or otherwise take action under section  
15 12 542.14 for any violation of this chapter or board rules.

15 13 b. Appoints the regulatory body of the state that issued  
15 14 the firm or individual license as the agent upon whom process  
15 15 may be served in any action or proceeding by the board against  
15 16 the firm or person.

15 17 c. Agrees to supply the board, upon the board's request  
15 18 and without subpoena, such information or records as licensees  
15 19 are similarly required to provide the board under this chapter  
15 20 regarding themselves or, in the case of a firm, regarding the  
15 21 individuals practicing through the firm, including but not  
15 22 limited to licensure status in all jurisdictions;  
15 23 qualifications for substantial equivalency reciprocity under  
15 24 section 542.19, subsection 1, paragraph "a", "b", or "c";  
15 25 location of principal place of business and all other offices;  
15 26 criminal and disciplinary background; malpractice settlements  
15 27 and judgments; firm ownership and when applicable information  
15 28 regarding nonlicensee owners; whether public accounting  
15 29 services are subject to peer review; proof of completion of  
15 30 peer review, when applicable; qualifications to supervise  
15 31 attest services, when applicable; and timely response to  
15 32 inquiries regarding complaints and investigations conducted  
15 33 under this chapter.

15 34 d. Agrees to promptly cease offering or rendering public  
15 35 accounting services in this state or for clients having a home  
16 1 office in this state if the license in the person's or firm's  
16 2 principal place of business expires or is otherwise no longer  
16 3 valid or in good standing, or if any of the conditions for  
16 4 exercising the practice privilege are no longer satisfied, or  
16 5 if the board revokes the practice privilege.

16 6 8. A licensee of this state is subject to discipline in  
16 7 this state based on a violation of a comparable practice  
16 8 privilege afforded by another state.

16 9 9. The board shall adopt rules on the manner in which this  
16 10 section applies to persons or firms that hold a lapsed Iowa

16 11 license, have been subject to discipline in Iowa, have  
16 12 surrendered an Iowa license, or have otherwise held an Iowa  
16 13 license at one point in time that is no longer valid, active,  
16 14 or in good standing, and to persons or firms that have been  
16 15 convicted of a crime, the subject of discipline or denied  
16 16 licensure in any jurisdiction, or that would otherwise be  
16 17 subject to license denial or discipline if a license applicant  
16 18 or licensee in Iowa.

16 19 Sec. 15. EFFECTIVE DATE. This Act takes effect July 1,  
16 20 2009.

16 21 EXPLANATION

16 22 This bill makes several revisions relating to the  
16 23 certification and regulation of public accountants. The major  
16 24 revision appears in the new bill section creating a new Code  
16 25 section 542.20. It provides that an individual who holds, in  
16 26 good standing, a valid certificate or license to practice as a  
16 27 certified public accountant in another state is automatically  
16 28 presumed to have qualifications substantially equivalent to  
16 29 Iowa requirements and has all the privileges of Iowa  
16 30 certificate holders of this state without the need to obtain  
16 31 an Iowa certificate. This privilege extends to individuals  
16 32 who provide professional services, whether in person or by  
16 33 mail, telephone, or electronic means. Attest and certain  
16 34 other services are limited to individuals employed by a firm  
16 35 holding an Iowa permit issued under Code section 542.7. An  
17 1 accounting firm that is not licensed in this state may also  
17 2 offer accounting services, excluding attest and other  
17 3 services. An individual providing services in Iowa under this  
17 4 privilege is subject to the jurisdiction of Iowa courts and  
17 5 the Iowa examining accountancy board.

17 6 The bill also eliminates provisions requiring continuing  
17 7 education for nonlicensee owners of a certified public  
17 8 accounting firm.

17 9 The bill establishes a board-imposed penalty of up to  
17 10 \$10,000 per violation on firms that violate the prohibition  
17 11 set out in Code section 542.13 or the practice standards set  
17 12 out in Code section 542.20.

17 13 The bill provides that records or a peer review shall,  
17 14 unless the subject objects, be made available to the board.

17 15 The bill provides for a July 1, 2009, effective date.

17 16 LSB 5152SV 82

17 17 jr/rj/8